

Southeast Iowa Regional Planning Commission

**Independent Auditor's Reports
Financial Statements
Supplemental Information
Schedule of Findings & Questioned Costs**

Year Ending June 30, 2012

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TABLE OF CONTENTS

	<u>Page</u>
Board of Directors and Officers	4
Independent Auditor's Report	5- 6
Management's Discussion & Analysis	7-10
 <u>Financial Statements:</u>	
	<u>Exhibit</u>
Statement of Net Assets	A 12
Statement of Activities	B 13
Statement of Change in Net Assets	C 14
Statement of Cash Flow	D 15
Notes to Financial Statements	16-25
 <u>Supplemental Information:</u>	
	<u>Schedule</u>
Schedule of Program Funds	1 27-28
Schedule of Expenditures of Federal Awards	2 30
 RTS Certification by Independent Auditor	 31
Combined Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	32-33
Combined Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over compliance in Accordance with OMB Circular A-133	34-35
Schedule of Findings & Questioned Costs	36

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
BOARD OF DIRECTORS AND OFFICERS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
<u>Executive Board of Directors</u>		
Brent Schleisman	Chairperson	City of Mount Pleasant
Sue Frice	Vice Chairperson	Workforce Development
Jim Howell	Secretary	Private Sector
Hans Trousil	Treasurer	City of West Burlington
Gary Folluo	Board Member	Lee County
<u>Full Board Members</u>		
Des Moines County:		
Robert Beck	Board Member	Des Moines County
Jim Davidson	Board Member	City of Burlington
Bob Hesler	Board Member	Private Sector
Henry County:		
Mark Hempen	Board Member	City of New London
Klay Edwards	Board Member	Private Sector
Kent White	Board Member	Henry County
Lee County:		
Byron Smith	Board Member	City of Fort Madison
Michael O'Connor	Board Member	City of Keokuk
Steve Bisenius	Board Member	Private Sector
Louisa County:		
Mark Huston	Board Member	City of Columbus Junction
Andy Truitt	Board Member	City of Wapello
Chris Ball	Board Member	Louisa County
Others:		
David File	Board Member	Iowa Wesleyan College
Phil Thomas	Board Member	Southeastern Community College

Southeast Iowa Regional Planning Commission Management

Mike Norris	Executive Director
Jeff Hanan	Assistant Director
Kim Schisel	Finance Director
Bob Kuskowski	Transit Director
Zach James	Planning Director

John D. Morrow

Certified Public Accountant

**Member
Iowa
Society**

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Wall Lake, Iowa 51466-0400**

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Ames, Iowa 50014**

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Certified Public Accountants

January 25, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southeast Iowa Regional Planning Commission
Burlington, Iowa

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Southeast Iowa Regional Planning Commission (SEIRPC), Burlington, Ia, as of and for the year ending June 30, 2012. This financial statement is the responsibility of SEIRPC's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted the audit in accordance with U. S. generally accepted auditing standards, standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act Office of Management and Budget (OMB) A-133 , and Chapter 11 of the Code of Iowa. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Iowa Regional Planning Commission as of and for the year ending June 30, 2012, and changes in net assets, and cash flow in conformity with U. S generally accepted accounting principles.

Independent Auditor's Report
Page 2.

In accordance with *Government Auditing Standards*, I have also issued my reports dated January 25, 2013, on my consideration of Southeast Iowa Regional Planning Commission's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

As management of Southeast Iowa Regional Planning Commission, we offer the readers of Southeast Iowa Regional Planning Commission's financial statements this narrative overview and analysis of the financial activities of the commission for the fiscal year ended June 30, 2012. This report is intended to serve as an introduction to Southeast Iowa Regional Planning Commission's basic financial statements.

Financial Highlights

- The assets of the Commission exceeded its liabilities as of June 30, 2012 by \$4,170,007 (net assets). Of this amount, \$ 1,960,243 represents amounts that are non-spendable, which consist of investments in property & equipment, and reserves for loans. The assigned portion of the net assets \$2,017,663 is assigned to revolving loan funds. The unassigned local net assets equal \$192,101.
- The Commission's total net assets decreased by \$124,170 over the prior year. This decrease represents a 2.9% decrease from the prior year.
- Revenues were \$4,287,470, which is \$185,146 over the cost/expenses.
- The total cost of programs decreased \$1,203,913.
- The Commission used local revenues as the required 17% match portion of \$9,736 for the purchase of a transit vehicle, which was funded by the Iowa Department of Transportation at 83% of the bus cost.

Overview of the Financial Statements

The Commission's basic financial statements are comprised of 1) financial statements and 2) notes to the financial statements. In addition, other supplementary information to the basic financial statements is provided.

The financial statements include a *Statement of Net Assets*, a *Statement of Revenues, Expenses and Changes in Net Assets*, and a *Statement of Cash Flow*. These statements present information of the Commission's finances in a manner similar to governmental activities. The activities are consolidated and present the operations as a whole.

The *Statement of Net Assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the Commission's net assets are an indicator of whether its financial position is improving or declining, respectively.

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The *Statement of Revenues, Expenses and Change in Net Assets* presents information showing how the commission's net assets changed during the year. This statement reports the cost of activities and how those costs were recovered for the fiscal year.

The *Statement of Cash Flow* presents information on the cash flow of the Commission during the fiscal year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements are found on pages 16-25. The additional supplemental information is found on pages 27-30.

Financial Analysis of the Commission's Net Assets

The table below is a summary of the Commission's net assets for the year ended June 30, 2012 compared to 2011.

Net Assets		
	2012	2011
Current and other assets	3,085,922	3,025,979
Property and equipment	1,883,672	1,854,744
Other assets	747,037	1,022,700
Total assets	5,716,631	5,903,423
Long-term liabilities outstanding	1,239,358	1,238,294
Other liabilities	307,266	370,952
Total liabilities	1,546,624	1,609,246
Non-spendable	1,960,243	2,291,791
Assigned	2,017,663	1,683,548
Unassigned	192,101	318,838
Total net assets	4,170,007	4,294,177

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. In the case of the Commission, assets exceeded liabilities by \$4,170,007 at the close of the most recent fiscal year.

By far the largest portion of the Commission's net assets reflected in the non-spendable net assets, is its investments in property, equipment and vehicles totaling \$1,960,243 net of accumulated depreciation. The Commission records assets using historical cost. If actual cost is not known, an estimated historical cost will be used. The combined net assets for the revolving loan fund programs are \$2,017,663, which is the total assigned net assets.

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Change in Net Assets from Operating Results

Revenues:	<u>2012</u>	<u>2011</u>
Federal awards	1,300,153	1,983,207
State and local contract awards	1,860,401	1,984,938
General public & per capita	167,245	170,568
Loan repayments	462,193	301,937
Interest from loans	60,605	76,958
Interest from investments	8,020	10,208
Other revenues	132,053	149,755
Matching funds	<u>296,800</u>	<u>731,139</u>
Total Revenues	4,287,470	5,408,710
Expenses:		
Community planning & admin. programs	711,843	1,046,998
Local housing programs	1,382,148	942,255
Revolving loan funds	298,719	138,663
Economic development planning grant	99,699	109,601
Homeland Security Grant	51,533	252,396
EDA SEIRPC Facility	89,252	1,384,426
Regional intermodal planning	199,302	164,105
Public Transit-Operating	717,889	807,440
Public Transit-Capital	<u>57,267</u>	<u>57,965</u>
Total Direct Expenses	3,607,652	5,048,391
Indirect Costs	<u>494,672</u>	<u>257,846</u>
Total Expenses	<u>4,102,324</u>	<u>5,306,237</u>
Net Revenue over (under) expenses	<u>185,146</u>	<u>102,473</u>

The commission's total revenues decreased 21% to \$4,287,470. State and local contract revenues decreased \$124,537. The jumpstart flood recovery program draws decreased by \$73,019. An increase in the housing program draws in the amount of \$244,009 is also reflected in revenues.

The total cost of all programs and services decreased by \$1,203,913. The Commission's expenses are predominantly related to providing services such as flood assistance, planning, development, grantmanship, or technical assistance to the Commission's members.

Capital Assets

By the end of the 2012 fiscal year, the Commission had invested \$146,519. Total depreciation expense for the year was \$117,592. The Commission made the following additions to its capital assets recorded at actual cost: Building, land, equipment \$89,252; transit vehicle \$57,267.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Long-term Debt

At the end of the current fiscal year, the Commission had total debt outstanding of \$1,309,576, which is a 1% decrease from the prior year. The debt consists of loans payable to the US Department of Agriculture for funds drawn to be used in the Intermediary Re-lending Programs, a loan from the Iowa Finance Authority (IFA) to administer a Single Family Home Rehabilitation Revolving Loan Program, loans from the Iowa Department of Transportation for the purchase of Regional Transit vehicles, and loans from Two Rivers Bank and Trust for the purchase of building and land, company vehicles and a copier. Additional information about the Commission's long term debt is presented in the financial statement Footnote 9.

Economic Factors on the Commission's Future

At the time these financial statements were prepared and audited, the Commission was aware of several key factors that may potentially impact the Commission's future funding levels.

- Local, State and Federal economic conditions are key indicators for resource availability and monitoring these conditions will be prudent for SEIRPC and its future success in regional service delivery.
- Per Capita fees look to be increased in the future based on the static level of fees over the past several years and the increased costs facing the agency to provide services to the region.
- Health Insurance costs continue to rise with our current rates projected to increase for FY 2013, for the seventh year in a row.
- SEIRPC has purchased a new facility which will provide the necessary staff space and long term opportunities for service delivery. The facility is fully leased for the next three years.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Southeast Iowa Regional Planning Commission, 211 N. Gear Ave., Suite 100, West Burlington, Iowa 52655.

FINANCIAL STATEMENTS

Exhibit A

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
STATEMENT OF NET ASSETS
Year Ending June 30, 2012

ASSETS:

CURRENT ASSETS:

Cash and cash equivalents	\$ 2,495,091
IRP Cash restricted	16,982
Accounts receivable & program reimbursements	341,749
Prepaid expenses	2,100
Current portion - loans receivable	<u>230,000</u>
Total Current Assets	<u>3,085,922</u>

PROPERTY AND EQUIPMENT:

Capital Expenditures Not Included As Grant Costs:

Equipment	31,814
Vehicles	66,056
Less: accumulated depreciation	(<u>90,062</u>)
	7,808

Capital Expenditures Included As Grant Costs:

Land, buildings, and improvements	1,401,710
Equipment	32,863
Vehicles/Transit	876,092
Less: accumulated depreciation	(<u>434,801</u>)
	<u>1,875,864</u>
Total Property and Equipment	<u>1,883,672</u>

OTHER ASSETS:

Housing loans receivable	59,335
Business enterprise loans receivable	917,702
Less: Current portion	(<u>230,000</u>)
Total Other Assets	<u>747,037</u>
Total Assets	<u>\$ 5,716,631</u>

LIABILITIES AND NET ASSETS:

CURRENT LIABILITIES:

Accounts payable	\$ 84,520
Current portion of long-term debt	70,218
Accrued payroll, benefits, and annual leave	49,605
Accrued interest payable	14,467
Deferred revenues	<u>88,456</u>
Total Current Liabilities	<u>307,266</u>

LONG TERM LIABILITIES:

Note payable - vehicles & equipment	5,209
Note payable - Amoco loan	15,308
Note payable - HOME loans	10,855
Note payable - IRP loans	881,803
Mortgage payable - real estate	396,401
Less: Current Portion	(<u>70,218</u>)
Total Long Term Liabilities	<u>1,239,358</u>
Total Liabilities	1,546,624

NET ASSETS:

NON-SPENDABLE:

Investment in property & equipment-SEIBUS	475,564
Investment in property & equipment-other	1,400,300
Reserve for loans	84,379

ASSIGNED:

Revolving loan	2,017,663
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UNASSIGNED:

Local	<u>192,101</u>
Total Net Assets	<u>4,170,007</u>
Total Liabilities & Net Assets	<u>\$ 5,716,631</u>

See accompanying Notes to Financial Statements.

Exhibit B

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
STATEMENT OF ACTIVITIES
Year Ending June 30, 2012

Revenues:

Federal awards	1,300,153
State & local contracts	1,860,401
General public & per capita	167,245
Loan repayments	462,193
Interest from loans	60,605
Interest from investments	8,020
Other revenues	132,053
Matching funds & reimbursements	<u>296,800</u>

Total Revenue	<u>4,287,470</u>
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Direct Program Expenses:

Community planning & admin. programs	711,843
Local housing programs	1,382,148
Revolving loan funds	298,719
Economic development planning grant	99,699
Homeland security grant	51,533
EDA - SEIRPC facility	89,252
Regional intermodal planning	199,302
Public transit-Operating	717,889
Public transit-Capital	<u>57,267</u>

Total Direct Program Expenses	3,607,652
Indirect Costs	<u>494,672</u>

Total Expenses	<u>4,102,324</u>
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Net revenue over expenses	\$ <u><u>185,146</u></u>
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See accompanying Notes to Financial Statements.

Exhibit C

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2012

Net Assets-beginning of year	\$ 4,294,177
Revenue (under) expenses	185,146
Increase in program property & equipment value	43,351
Decrease in housing & business enterprise loans receivable	(347,600)
Increase in housing & IRP loans payable	(<u>5,067</u>)
Net Assets - end of year	\$ <u><u>4,170,007</u></u>

See accompanying Notes to Financial Statements.

Exhibit D

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
STATEMENT OF CASH FLOW
Year Ended June 30, 2012

Resources Provided (Used) By:	
Cash Flow from Operating Activities:	
Revenue under expenses	\$ 185,146
Note increase included as revenue:	
IRP loan proceeds used for re-lending	(49,968)
Note payments included as expenditures:	
Loan payments	44,901
Items not requiring outlays of cash:	
Depreciation	14,423
Change in Operating Assets & Liabilities:	
Decrease in accounts receivable	160,242
Increase in prepaid expenses	(859)
Decrease in accounts payable	(91,918)
Increase in payroll, annual leave, and benefits	15,691
Decrease in accrued interest payable	(273)
Increase in deferred revenue	<u>28,561</u>
	<u>305,946</u>
Cash Flow From Investing Activities:	
Decrease in IRP restricted cash	<u>35,470</u>
Cash Flow From Financing Activities:	
Borrowing - housing line of credit	95,828
Payments - housing line of credit	(95,828)
Borrowing - long term notes	59,746
Payments - long term notes	(<u>74,429</u>)
	(<u>14,683</u>)
Net Increase in Cash	326,733
Cash, Beginning of Year	<u>2,168,358</u>
Cash, End of Year	\$ <u><u>2,495,091</u></u>

See accompanying Notes to Financial Statements.
SOUTHEAST IOWA REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 Nature of Activities and Significant Accounting Policies

A. Nature of Activities

In 1973, Southeast Iowa Regional Planning Commission (SEIRPC) entered into a 28E agreement to service the Iowa counties of Des Moines, Henry, Lee and Louisa and local governments (cities and school districts) within the four county region.

The purposes for which SEIRPC was organized are to provide joint services and facilities with other agencies to promote and assist the economic development of business concerns through growth and development, and aid in development opportunities to the region, thereby increasing employment, business volume, and business payrolls. To accomplish these purposes, SEIRPC has all the powers enumerated in Chapter 504 of the Code of Iowa. These powers are limited to the definitions and purposes encompassed by Section 501(c)(1), of the Internal Revenue Code. In addition, SEIRPC has the power and duty to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplication, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area.

Southeast Iowa Regional Planning Commission (SEIRPC) owns and operates the Region 16 Public Transit System (SEIBUS). This public transit system provides transit services to senior citizens, persons with disabilities, preschool and school aged students, and the general public. Region 16 Public Transit System (SEIBUS) operates in Des Moines, Henry, Lee, and Louisa counties and is recognized by the Department of Transportation as the regional transit organization. The mission of Region 16 Public Transit System (SEIBUS) is to provide safe, dependable, and efficient public transit services for all citizens within its service area in a manner which will help them maintain and improve their quality of life. Transportation planning staff are active in programming federal dollars available to the Commission, developing projects utilizing state and federal dollars, preparing transportation planning document, Geographic Information Systems mapping and analysis, travel demand modeling, grant applications to federal and state governments, and regional cooperation related to transportation issues and transit planning.

Southeast Iowa Regional Planning Commission (SEIRPC) serves as the Regional Planning Affiliation (RPA) for the counties of Des Moines, Henry, Lee, and Louisa. As the RPA, SEIRPC prepares all planning documents pursuant to transportation planning in the region, including the programming of regional federal funds for transportation. SEIRPC is advised by a Transportation Advisory Committee on all planning documents. Final decisions on these documents are made by the Board of Directors of Southeast Iowa Regional Planning Commission. The Planning and Zoning Department provides a number of services relating to land use and development to various clients within the region. Specifically, actual on-site land use administration, technical assistance with zoning and subdivision issues, revision and development of comprehensive plans, urban renewal plan formulation, annexations, ordinance codification

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 1 Nature of Activities and Significant Accounting Policies (continued)

A. Nature of Activities

updates and capital improvement budgeting are all provided under individual contracts with cities and/or counties within the four-county area.

Southeast Iowa Regional Planning Commission administers grants received by clients from different funding sources. The staff works one-on-one with the agency officials and city or county officials to insure that all of the grantor agency requirements are met, and retains records related to the grant administration activities.

Southeast Iowa Regional Planning Commission assists the communities and counties in identifying housing needs. Once needs are identified, the organization will work with the necessary partners to achieve those goals. Examples of programs include various housing rehabilitation programs, down payment assistance, rental projects, new construction, development of lots for sale, and lead base paint & inspection services.

The organization is dependent on continued funding by Federal, State and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

B. Significant Accounting Policies

Program Fund Accounting - To ensure observance of limitations and restrictions placed on the use of resources available to Southeast Iowa Regional Planning Commission, the accounts of the organization are maintained in accordance with the principles of accounting for program grants, activities, and functions. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each program, grant, activity, or function; however, in the accompanying financial statements, programs that have similar characteristics have been combined into program groups. Accordingly, all financial transactions have been recorded and reported by group.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Grant or contract revenue is recognized when earned. The program agreements, grants, and contracts are written on an expense reimbursement basis and accordingly, grant or contract revenue is earned when allowable program expenses are incurred. The financial statements present any funds received and not expended as net assets. Expenses are recorded when the liability is incurred. Disbursements for the purchase of vehicles and equipment in the Region 16 Public Transit Program, which provide future benefits, are recorded as expenses in the program at the time of purchase and capitalized and presented in the Statement of Net Assets. Disbursements for the purchase of vehicles and equipment in the local administrative program are capitalized and depreciated over the assets useful lives. For these capital assets, depreciation is recovered through program reimbursements or in the indirect cost rate.

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 1 Nature of Activities and Significant Accounting Policies (continued)

B. Significant Accounting Policies (continued)

Basis of Presentation - Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the SEIRPC and changes therein are classified and reported as follows:

Unassigned net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Assets, Liabilities and Net Assets - The following accounting policies are followed in preparing the statement of financial position.

Cash and Cash Equivalents - Cash includes amounts in demand deposits, savings accounts, and money market funds.

Accounts Receivable and Program Reimbursements - Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Program funds, accounts receivable, and reimbursements include amounts due to SEIRPC but not received at year end.

Allowance for Doubtful Accounts - The direct write-off method is used to account for uncollectible housing and business loans. There is no provision for bad debts since management considers all receivables are to be collectible.

Vehicles, and Equipment - Vehicles and equipment are valued at historical cost. Vehicles and equipment in the Region 16 Public Transit Program are recorded as expenses. The purchases are then capitalized accumulating the net investment in vehicles and equipment. Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets, generally 5 to 10 years for vehicles and equipment. Disbursements for the purchase of vehicles and equipment in the local administrative program are capitalized and depreciated over the assets useful lives. Depreciation is recovered through program reimbursements or in the indirect cost rate. The depreciated cost of the vehicles and equipment does not purport to be either a realizable value or a replacement value. Expenses for maintenance, repairs, and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized. The cost of assets disposed is deleted.

NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 1. Nature of Activities and Significant Accounting Policies (continued)
B. Significant Accounting Policies (continued)

Paid Time off (PTO) - Employees of SEIRPC accumulate a limited amount of earned but unused annual PTO leave payable to employees. Annual PTO accruals are based on the number of hours worked by eligible employees and the length of service. Upon separation of employment, accrued unused PTO will be paid out to the employee. Amounts representing the cost of annual PTO leave expected to be liquidated currently are recorded as liabilities computed based on current rates of pay.

Deferred Revenue - Deferred revenue represents cash advances by the funding source at year end.

Indirect Cost Allocation - Southeast Iowa Regional Planning Commission has adopted a cost allocation rate to allocate joint costs to the various programs. SEIRPC has established an indirect cost rate for use on grants, contracts, and other agreements with the Federal Government to which 2 CFR 225 (OMB Circular A-87) applies. SEIRPC has requested approval and received a final indirect cost rate of 44.44% for fiscal year 7/1/11 to 6/30/12, which was calculated using an indirect cost rate base type of direct labor and benefits. Fringe benefits applicable to direct salaries and wages are treated as direct costs; fringe benefits applicable to indirect salaries and wages are treated as indirect costs. PTO, long-term illness, and other paid absences are included in salaries and wages and are claimed on grants, contracts, and other agreements as part of the normal cost for the salaries and wages. The calculation was based on actual costs from fiscal year 2011 to obtain a federal cost billing rate for fiscal year 2012. SEIRPC is required to submit to the U.S. Department of Commerce (DOC) an annual Certificate of Indirect Costs. The submission of this form is due to the DOC within six (6) months after the close of each fiscal year.

Budgetary Accounting - SEIRPC is not required by statute to use budgetary accounting. Therefore, no budgetary information is included in these financial statements.

Income Taxes - Southeast Iowa Regional Planning Commission is exempt from Federal income taxes under provisions of Internal Revenue Code Section 501(c)(1).

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from amounts estimated. These estimates involve useful lives for depreciation of assets, allowance for doubtful accounts, loss contingencies, and other estimating techniques as may be required to record effects of future events.

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 2 Lease Agreements for Property and Equipment

The Commission has entered into an operating lease to rent Regional Transit Authority vehicle storage space in Burlington, Iowa on a month to month basis. Rent paid for the year ended June 30, 2012 was \$5,381.

SEIRPC may be obligated under other lease agreements accounted for as operating leases for equipment. In the event insufficient program funding occurs, these leases may be prematurely terminated with appropriate notice.

Note 3 Pension and Retirement Benefits

The Southeast Iowa Regional Planning Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117

Plan members are required to contribute 5.38% of their annual covered salary and the Southeast Iowa Regional Planning Commission is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. Southeast Iowa Regional Planning Commission's contribution to IPERS for the year ended June 30, 2012 was \$78,273, equal to the employer required contributions for the year.

Note 4 Contingent Liability - Long-term Illness Leave

Southeast Iowa Regional Planning Commission's full time employees accumulate long-term illness leave hours for subsequent use. No compensation is made for accrued long-term illness leave at time of separation and these accumulations are not recognized as expenses until used.

NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 5 Organization Risk Management

Southeast Iowa Regional Planning Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Southeast Iowa Regional Planning Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6 Total Deposit Accounts And Insured Depository Limits

Southeast Iowa Regional Planning Commission maintains checking, savings, and money market accounts in various financial institutions. These financial institutions classify these deposits as public funds and are subject to the guidelines referred to in Chapter 12C of the Code of Iowa.

As of the fiscal year end, the following financial institutions held public funds totaling:

	<u>June 30, 2012</u>
Two Rivers Bank & Trust	\$ 2,249,857
KSB Bank	113,576

Note 7 Vehicles, and Equipment

A summary of vehicles, equipment, and the components of accumulated depreciation for the year ending June 30, 2012, are as follows:

	CAPITAL EXPENDITURES INCLUDED AS GRANT COSTS:				CAPITAL EXPENDITURES NOT INCLUDED AS GRANT COSTS:		
	Land, Bldg. & Equipment	Transit Vehicles	Program Equip.	Total	Vehicles	Equipment	Total
<u>Cost</u>							
Beginning	\$1,312,458	\$ 818,825	\$ 32,863	\$ 2,164,146	\$ 66,056	\$ 61,099	\$127,155
Additions	89,252	57,267	0	146,519	0	0	0
Disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	(29,285)	(29,285)
Ending	<u>1,401,710</u>	<u>876,092</u>	<u>32,863</u>	<u>2,310,665</u>	<u>66,056</u>	<u>31,814</u>	<u>97,870</u>
<u>Accum. Depr.</u>							
Beginning	10,277	316,119	5,237	331,633	56,179	48,745	104,924
Current depr.	15,118	84,409	3,641	103,168	9,877	4,546	14,423
Disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	(29,285)	(29,285)
Ending	<u>25,395</u>	<u>400,528</u>	<u>8,878</u>	<u>434,801</u>	<u>66,056</u>	<u>24,006</u>	<u>90,062</u>
Net	<u>\$1,376,315</u>	<u>\$ 475,564</u>	<u>\$ 23,985</u>	<u>\$ 1,875,864</u>	<u>\$ 0</u>	<u>\$ 7,808</u>	<u>\$ 7,808</u>

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 8 Housing and Business Enterprise Loans Receivable

SEIRPC accounts for grant proceeds as revenue. Principal and interest payments received are accounted for as program revenues when received. Loans and grants paid to families are treated as expenses at the time the loan is made to accommodate the required reporting format on quarterly reports.

Southeast Iowa Regional Planning Commission administers Community Development Block Grants revolving loans (CDBG Loans) for various cities within the region. The loans are for down payment assistance or for a portion of the cost of housing rehabilitation.

Southeast Iowa Regional Planning Commission received a loan from the US Department of Agriculture Intermediary Relending Program (IRP Loans). The loan proceeds plus local match are to be used for business enterprise loans.

Southeast Iowa Regional Planning Commission received a Department of Commerce Loan Program (EDA Loans) and the grant proceeds are used for business enterprise loans.

The balance of all loans is reflected as other assets on the combined statement of net assets. A summary of activity is as follows:

Fiscal Year June 30, 2012

	<u>Beginning Balance</u>	<u>Payments Received & Writeoffs</u>	<u>New Loans</u>	<u>Ending Balance</u>
CDBG/Home	\$ 73,197	\$ 18,862	\$ 5,000	\$ 59,335
Business Enterprise	204,523	79,187	0	125,336
IRP Loans	384,134	163,557	62,460	283,037
EDA Loans	<u>662,783</u>	<u>230,994</u>	<u>77,540</u>	<u>509,329</u>
Total	\$ <u>1,324,637</u>	\$ <u>492,600</u>	<u>\$145,000</u>	\$ <u>977,037</u>

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 9 Long Term Notes Payable

The long term notes payable and classification are as follows:

June 30, 2012

Southeast Iowa Regional Planning Commission has entered into a loan agreement with the United States Department of Agriculture, Intermediary Re-lending Program. The loan agreement, dated July 9, 2003, is for the sum of \$600,000, interest at a fixed rate of 1% per annum, for a term of 30 years. The repayment shall be made in 27 equal installments of \$25,470 including principle and interest beginning July 9, 2007. The loan agreement requires a restricted cash account to be maintained at 6% of the balance outstanding, which is currently \$30,041.

\$500,680

Southeast Iowa Regional Planning Commission, has entered into a loan agreement with the United States Department of Agriculture, Intermediary Re-lending Program. The loan agreement, dated August 1, 2006, is for the sum of \$600,000, interest at a fixed rate of 1% per annum, for a term of 30 years. The repayment shall be made in 27 equal installments of \$25,470 including principle and interest beginning July 28, 2010. The loan agreement requires a restricted cash account to be maintained at 6% of the balance outstanding, which is currently \$22,867.

381,122

Southeast Iowa Regional Planning Commission has entered into a real estate mortgage agreement with a financial institution to purchase land, building, and improvements. The real estate mortgage agreement, dated October 1, 2010, is for a total of \$413,000.00 and has a variable interest rate. The variable interest rate is adjusted daily and equals 1.75% plus the Wall Street Journal published prime rate of interest. The interest rate as of June 30, 2012 was 7%. The real estate mortgage agreement calls for quarterly payments of principal and interest payable in equal payments of \$8,961.66 beginning January 1, 2011 until October 1, 2015, on which date the entire remaining indebtedness then unpaid and owing under this note shall be due and payable in full. The mortgage is secured by a standard Real Estate Mortgage of property and is dated October, 2010.

396,402

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 9 Long Term Notes Payable (continued)

Southeast Iowa Regional Planning Commission entered into an agreement with the Iowa Finance Authority (IFA). The loan agreement dated March 1, 2006 is for a total of \$200,000 and bears interest at 3% per year. The loan agreement calls for the payment of interest only for the first 2 years and then principal and interest payable in 10 equal annual installments beginning on April 1, 2009.

10,855

Southeast Iowa Regional Planning Commission has entered into an installment loan agreement with a financial institution to purchase a copier. The installment agreement, dated November 16 2010, is for the sum of \$10,487.00, interest at a fixed rate of 6.50%, for a term of 35 months. The repayment shall be made in 35 equal installments of \$321.79, including principle and interest, beginning December 15, 2010.

5,209

Southeast Iowa Regional Planning Commission, has entered into two Amoco Loan Agreements with the Iowa Department of Transportation. (1)A capital loan, dated August 1, 2008, is for the sum of \$22,120, no interest, payable in equal installments of \$5,530 for a term of 4 years, beginning December 31, 2009.

5,530

(2)A capital loan, dated September 30, 2011, is for the sum of \$9,778, no interest, payable in equal installments of \$4,889 for a term of 2 years beginning September 30, 2012.

9,778

Total Notes Payable	1,309,576
Current Portion of Long Term Debt	<u>(70,218)</u>

Long Term Portion	\$ <u><u>1,239,358</u></u>
-------------------	----------------------------

Note 9 Long Term Notes Payable (continued)

Maturities of notes payable over the next five years are as follows:

June 30, 2013	70,218
June 30, 2014	65,227
June 30, 2015	59,240
June 30, 2016	60,597
June 30, 2017	59,086
Thereafter	<u>995,208</u>

Total	\$ <u><u>1,309,576</u></u>
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SOUTHEAST IOWA REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note 10 Subsequent Events

Through the date the financial statements were available to be issued, management evaluated subsequent events.

NOTE 11 DRAFTING OF FINANCIAL STATEMENTS

A consequence of the size of Southeast Iowa Regional Planning Commission combined with the specific expertise of the accounting and financial reporting department, is that management has elected to rely on the knowledge of its auditors to prepare its annual financial statements and related disclosures. The Organization has made the determination that because of the ever changing and numerous reporting requirements associated with preparing financial statements that are in conformity with accounting principles generally accepted in the United States of America, it is more cost advantageous to rely on the expertise of its outside auditors to assist in the preparation of its financial statements and related disclosures. The financials statement are the responsibility of the Organization management and the control over the financial statements being prepared in conformity with accounting principles generally accepted in the United States of America, lies with management.

SUPPLEMENTAL INFORMATION

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
SCHEDULE OF PROGRAM FUNDS
Year Ended June 30, 2012

	Indirect Costs	Community Planning & Admin. Programs	Local Housing Programs	Revolving Loan Funds
Revenues:				
Federal awards	\$ 0	\$ 30,956	\$ 530,081	\$ 49,968
State/local contracts	0	513,223	826,360	0
General/per capita	0	73,350	0	0
Loan repayments	0	0	0	462,193
Interest-loans	0	0	0	60,605
Interest-investments	0	1,469	0	6,488
Other revenues	0	109,245	0	13,214
Matching funds & reimbursements	0	23,334	89,420	5,032
Total Revenues	<u>0</u>	<u>751,577</u>	<u>1,445,861</u>	<u>597,500</u>
Expenses:				
Salary & wages	151,390	176,309	106,211	21,285
Payroll tax expense	10,802	12,802	7,678	1,502
Pension expense	11,791	13,639	8,440	1,676
Employee benefits	28,427	29,389	12,651	4,299
Professional fees	18,017	0	200	4,210
Advertising & marketing	752	5,549	1,398	1,100
Contractual expenses	4,420	6,834	3,145	3,325
Copier expense	7,545	0	0	0
Dues & subscriptions	1,802	2,004	440	0
Information technology	7,728	1,391	371	252
Office & admin.	3,544	29	689	58,003
Inspection & testing	0	290	4,092	0
Insurance	31,886	15,842	0	0
Meetings	1,376	334	16	65
Printing & postage	4,515	375	370	28
Occupancy expense	50,433	34,058	0	0
Loans & grants	0	79,704	1,225,231	147,500
Repairs & maintenance	0	13,327	0	0
Rent	0	0	0	0
Supplies	7,480	1,935	99	55
Vehicle exp.	0	17,259	2,149	160
Telephone	17,322	480	0	0
Travel & training	3,797	3,476	3,871	1,502
Interest	0	25,007	726	8,856
Loan payments	0	0	0	44,901
Capital expenditures	0	0	0	0
Matching funds expense	0	261,933	4,371	0
Depreciation	4,546	9,877	0	0
Cost Carryforward	<u>127,099</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Direct Expenses	494,672	711,843	1,382,148	298,719
Indirect allocation	(494,672)	<u>109,521</u>	<u>63,713</u>	<u>13,576</u>
Total Expenses	<u>0</u>	<u>821,364</u>	<u>1,445,861</u>	<u>312,295</u>
Change in Net Assets	0	(69,787)	0	285,205
Beginning-Net Assets	<u>0</u>	<u>27,706</u>	<u>0</u>	<u>1,683,548</u>
Ending-Net Assets	<u>\$ 0</u>	<u>\$ (42,081)</u>	<u>\$ 0</u>	<u>\$1,968,753</u>

Schedule 1

Economic Development Planning	Homeland Security Grant	EDA SEIRPC Facility	Regional Intermodal Planning	(SEIBUS) Region 16 Public Transit	
				Operating	Capital
\$61,000	\$ 51,533	\$ 44,626	\$214,304	\$ 270,154	\$ 47,531
0	0	0	13,350	507,468	0
0	0	0	0	93,895	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	63	0
0	0	0	4,465	5,129	0
84,638	0	44,626	40,014	0	9,736
<u>145,638</u>	<u>51,533</u>	<u>89,252</u>	<u>272,133</u>	<u>876,709</u>	<u>57,267</u>
73,017	0	0	117,845	314,513	0
5,193	0	0	8,592	26,747	0
5,770	0	0	8,943	25,368	0
13,334	0	0	18,919	33,981	0
0	0	0	0	587	0
0	0	0	89	2,759	0
0	50,269	0	0	6,357	0
0	0	0	0	0	0
232	0	0	1,732	2,525	0
90	0	0	1,231	898	0
825	1,264	0	8,262	410	0
0	0	0	0	0	0
0	0	0	0	48,892	0
254	0	0	75	99	0
112	0	0	1,547	6	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	234	0
0	0	0	0	5,381	0
0	0	0	407	429	0
750	0	0	5,242	225,952	0
0	0	0	0	7,445	0
122	0	0	4,167	5,570	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	89,252	22,251	0	57,267
0	0	0	0	9,736	0
0	0	0	0	0	0
0	0	0	0	0	0
99,699	51,533	89,252	199,302	717,889	57,267
45,939	0	0	72,831	189,092	0
<u>145,638</u>	<u>51,533</u>	<u>89,252</u>	<u>272,133</u>	<u>906,981</u>	<u>57,267</u>
0	0	0	0	(30,272)	0
0	0	0	0	291,132	0
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$260,860</u>	<u>\$ 0</u>

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SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Direct:</u>	<u>CFDA #</u>	<u>Agency or Pass-through Number</u>	<u>Total Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Rural Development Intermediary Re-lending Program	10.767	IRP Loan # 61-02	\$ <u>49,968</u>
<u>U.S. Department of Commerce:</u>			
Economic Development Support for Planning Organizations	11.302	05-83-04980-01	145,638
Economic Adjustment Assistance for Purchase/Renovate Building	11.307	05-79-04924	99,252
Economic Development Revolving Loan Fund	11.307	05-39-02629	<u>512,505</u>
			<u>757,395</u>
<u>U.S. Department of Homeland Security:</u>			
Homeland Security Grant Program	97.067	2008-GE-T8-0008-005	<u>51,533</u>
<u>Indirect:</u>			
<u>U.S. Department of Transportation:</u>			
Iowa Department of Transportation Transportation Planning Work Program	20.205	12RPA-16	190,328
Training Fellowship	20.215		3,491
Capital Investment Assistance Project	20.500	04-0117-160-11	57,267
Transportation Planning Work Program	20.509	12RPA-16	23,976
Non-urban Operating Assistance	20.509	18-0030-160-12	254,886
New Freedom Operating Assistance	20.521	57-X008-160-12	<u>11,777</u>
			<u>541,725</u>
<u>U.S. Department of Housing & Urban Development:</u>			
Iowa Department of Economic Development Sub-recipient - Dubuque County Sub-recipient - East Central Intergovernmental Assn.			
Jump Start Small Rental Rehab	14.228	08-DRH-204	79,548
Single Family New Production Down Payment Assistance	14.228	08-DRH-004	498,539
Jump Start Small Business Assist.	14.228	08-DRB-209	<u>20,956</u>
			<u>599,043</u>
			<u>\$1,999,664</u>

Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of Southeast Iowa Regional Planning Commission is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying Independent Auditor's Report.

John D. Morrow

Certified Public Accountant

**Member
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Certified Public Accountants

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January 25, 2013

RTS CERTIFICATION BY INDEPENDENT AUDITOR

To the Board of Directors
Southeast Iowa Regional Planning Commission
Burlington, Iowa

I have audited the contracting opportunities and Disadvantaged Business Enterprise and Women Business Enterprise participation summary of Southeast Iowa Regional Planning Commission (Transit System). My audit of the report details included tests of accounting records, purchase orders, and contracts issued to Disadvantaged Business Enterprise and Women Business Enterprise firms as we considered necessary to verify that the information reported corresponds with the transit system's financial statements and other official documentation. It was not within the scope of my audit to make any assurances about the eligibility of any firm to be certified as a Disadvantage Business Enterprise or Women Business Enterprise, since the Iowa Department of Transportation assumes this responsibility. Tests were conducted to assure that this information fairly reflects the transit system's efforts to comply with Section 105(f) and Subpart D of the Surface Transportation Assistance Act of 1982.

The tests of accounting records and inquiries with management indicated that effort is made to identify Disadvantaged Business Enterprises and Women Business Enterprise. Management has procedures which identify current vendors as eligible to be certified as a Disadvantaged Business Enterprise and Women Business Enterprise.

John D. Morrow

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January 25, 2013

COMBINED INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Southeast Iowa Regional Planning Commission
Burlington, Iowa

I have audited the combined financial statements of Southeast Iowa Regional Planning Commission (SEIRPC), Burlington, Ia, as of and for the year ended June 30, 2012, and have issued my report thereon dated January 25, 2013. I conducted the audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Southeast Iowa Regional Planning Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of SEIRPC's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of SEIRPC's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect SEIRPC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U. S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the SEIRPC's financial statements that is more than inconsequential will not be prevented or detected by SEIRPC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by SEIRPC's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I noted no matters involving the internal control over financial reporting and its operation that I consider to be significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SEIRPC's financial statements are free of material misstatement, I performed tests of SEIRPC's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about SEIRPC's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the combined financial statements of SEIRPC. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of Southeast Iowa Regional Planning Commission and other parties to whom SEIRPC may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of Southeast Iowa Regional Planning Commission during the course of the audit. Should you have any question concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

John D. Morrow

Certified Public Accountant

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Certified Public Accountants

January 25, 2013

COMBINED INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Southeast Iowa Regional Planning Commission
Burlington, Iowa

I have audited the compliance of Southeast Iowa Regional Planning Commission (SEIRPC), Burlington, Ia, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. SEIRPC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of SEIRPC's management. My responsibility is to express an opinion on SEIRPC's compliance based on my audit.

I conducted my audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SEIRPC's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on compliance with those requirements.

In my opinion Southeast Iowa Regional Planning Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012. Instances of non-compliance with those requirements, if any, are described in Part III of the accompanying Schedule of Findings and Questioned Costs

SEIRPC's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Southeast Iowa Regional Planning Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of SEIRPC's internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of SEIRPC's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in SEIRPC's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in SEIRPC's internal control over compliance exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect SEIRPC's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by SEIRPC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by SEIRPC's internal control. I noted no matters involving the internal control over compliance and its operation that I consider to be significant deficiencies or material weaknesses

This report, a public record by law, is intended solely for the information and use of Southeast Iowa Regional Planning Commission and other parties to whom SEIRPC may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

SOUTHEAST IOWA REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified	
not considered to be material weaknesses?	No matters were reported
Noncompliance material to	
financial statements noted?	No matters were reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified	
not considered to be material weaknesses?	No matters were reported

Type of auditor's report issued on	
compliance for major programs:	Unqualified

Any audit findings disclosed that are	
required to be reported in accordance	
with Circular A-133. Section .510(a)?	No matters were reported

Identification of major programs:

U.S. Department of Commerce:	
Economic Development Revolving Loan Fund	11.307
U.S. Department of Housing & Urban Development:	
Jump Start Small Rental Rehabilitation	14.228
Single Family New Construction/ Down Payment	14.228

Dollar threshold used to distinguish	
between Type A and Type B programs:	\$ 300,000

Auditee qualified as low risk.

Part II: Findings relating to the financial statements which are required to be reported in accordance with Governmental Auditing Standards.

No matters were reported

Part III: Findings and questioned costs for Federal Awards which shall include audit findings as defined in OMB Circular A-133.

No matters were reported